YEAR 1997 | CALIFORNIA FORM 3521

1997 Low-Income Housing Credit 3521

Attach to your California tax return.

Name(s) as shown on return

Social security or California corporation number

Building identification number (BIN)

FEIN

Part I Credit Computation

1 Has the eligible basis of any project or building decreased since you received form FTB 3521A from the California Tax Credit Allocation Committee?
☐ Yes ☐ No If "yes" complete Part III before continuing. See General Information C.

2 Current year credit for 1997. See instructions . . . 2 ______

3 Enter any pass-through housing credits from other entities below. See instructions.

If you are a	Current year housing credits from —	(a) Name of entity passing through the credit —	(b) Identification numbers – Calif. corporation, FEIN, etc.	(c) Building identification number (BIN)	(d) Total amount of pass-through credits
Corporation	FTB 3521, line 10 of the affiliated corporation				$
Shareholder	Schedule K-1 (100S), line 12a				$
Beneficiary	Schedule K-1 (541), line 11d or line 11e				$
Partner or LLC member	Schedule K-1 (565, 568), line 13b.				$

Total pass-through housing credits. Add the amounts in column (d) . . . 3 ______

4 Current year low-income housing credit. Add line 2 and line 3 . . . 4 ______

5 Enter the amount of credit on line 4 that is from passive activities. If none of the amount on line 4 is from passive activities, enter -0- . . . 5 ______

6 Subtract line 5 from line 4 . . . 6 ______

7 Enter the allowable low-income housing credit from passive activities. See instructions . . . 7 ______

8 Low-income housing credit carryover from prior years . . . 8 ______

9 Add line 6 through line 8 . . . 9 ______

10 **Corporations only:** Amount of credit allocated to affiliated corporations:

Corporation Name	California Corporation Number	Amount of Credit Allocated

Total amount of low-income housing credit allocated. If you are not a corporation, enter -0- . . . 10 ______

11 Total available low-income housing credit. Subtract line 10 from line 9. See instructions . . . 11 ______

Caution: This amount may be less than the amount on line 9 if your credit is limited by tentative minimum tax (TMT) or your tax liability. See instructions for line 11.

Part II Carryover Computation

12 Amount of low-income housing credit claimed on the current year tax return . . . ▮ 12 ______

13 Carryover to future years. Subtract line 12 from line 11 . . . 13 ______

Part III Basis Recomputation. Complete this part only if the basis in the building has decreased.

		(a) Building 1	(b) Building 2	(c) Totals
14 Date building was placed in service (month/year) . . .	14			
15 BIN . . .	15			
16 Eligible basis of building. See General Information C . . .	16			
17 Low-income portion (lesser of unit percentage or floor-space percentage). See instructions . . .	17			
18 Qualified basis of low-income building. Multiply line 16 by line 17 . . .	18			
19 Applicable percentage. See General Information B, 2 . . .	19			
20 Multiply line 18 by line 19. See instructions for Part I, line 2 . . .	20			

Instructions for Form FTB 3521

Low-Income Housing Credit

General Information

Important News

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 1997, and to the California Revenue and Taxation Code (R&TC).

You are no longer required to attach form FTB 3521A, Certificate of Final Award of California Low-Income Housing Tax Credits, to your return. However, you must retain the certificate and make it available to the Franchise Tax Board (FTB) upon request.

A Purpose

Use form FTB 3521 to figure this credit if you are an owner of a residential rental project providing low-income housing in California.

Also use this form to claim a credit that was:

- Allocated from an affiliated corporation; and
- Passed through from S corporations, estates or trusts, partnerships and limited liability companies (LLCs) taxed as partnerships.

An affiliated corporation is defined in R&TC Section 25110(b)(1), except substitute 100% for "more than 50%" and voting common stock for "voting stock."

S corporations, estates or trusts, partnerships and LLCs taxed as partnerships should complete form FTB 3521 to figure the amount of credit to pass through to shareholders, beneficiaries, partners or members. Attach this form to Form 100S, Form 541, Form 565 or Form 568. Show the pass-through credit for each shareholder, beneficiary, partner or member on Schedule K-1 (100S, 541, 565 or 568).

Under IRC Section 42(a), as adopted by California, the low-income housing credit for any year is the applicable percentage of the qualified basis of each qualified low-income building. See R&TC Sections 17058 and 23610.5.

B California and Federal Differences

1. California Tax Credit Allocation Committee authorization. The Committee must authorize the amount of the credit allocated to any low-income housing project. California requires that the credit be allocated based on a project's need for the credit for economic viability.

The low-income housing project must be located in California and must either:

- Have been allocated a federal low-income housing credit; **or**
- Qualify for the credit under IRC Section 42(h)(4)(B), the special rule where 50% or more of the building is financed with exempt bonds subject to a volume cap.

The Committee must certify to the owner the amount of California credit to which the owner is entitled each year. To apply for the certificate, write or call:

CALIFORNIA TAX CREDIT
ALLOCATION COMMITTEE
915 CAPITOL MALL ROOM 485
SACRAMENTO CA 95814
(916) 654-6340

2. Applicable percentage. For new and existing buildings placed in service during the period after 1987 and before 1990, and for a new building not federally subsidized that receives an allocation after 1989, the applicable percentage is:

- For the first 3 years, the percentage prescribed by the Secretary of the Treasury for such buildings; and
- For the fourth year, the difference between 30% and the sum of the applicable percentages for the first 3 years.

For a new building that is federally subsidized or an existing building that is "at risk of conversion" that receives an allocation after 1989, the applicable percentage is:

- For the first 3 years, the percentage prescribed by the Secretary of the Treasury for new buildings that are federally subsidized; and
- For the fourth year, the difference between 13% and the sum of the applicable percentages for the first 3 years.

The credit percentage will be adjusted monthly to reflect the present value at the time the building is placed in service. See the revenue ruling published monthly by the IRS dealing with applicable federal interest rates.

3. Credit period. California uses a 4-year period instead of the 10-year period allowed under federal law. California does not apply the federal special rule for the first year of the credit period under IRC Section 42(f)(2).

4. Accelerated credit election. Unlike federal law, California law contains no provision for acceleration of the credit. See R&TC Sections 17058(p) and 23610.5(p).

5. Compliance period. The compliance period (during which a housing project remains subject to the set-aside and rent requirements that qualified it for the low-income housing credit) is 30 consecutive years, instead of the 15-year period allowed under federal law. This period begins with the first year of the credit period.

6. Recapture of credit. Unlike federal law, California law contains no provision for recapture of the credit. See R&TC Sections 17058(i) and 23610.5(i).

C Basis

Generally, the eligible basis of a building for its entire 30-year compliance period is figured as of the date it is placed in service. For housing projects consisting of 2 or more buildings, figure the credit separately for each building.

For new buildings, the eligible basis is generally the cost of construction.

For existing buildings, the eligible basis is the cost of acquisition plus any rehabilitation expenses incurred before the close of the first year of the credit period. The owner must have acquired the building by purchase from an unrelated person, and it must have been at least 10 years since the building was last placed in service or substantially improved.

When figuring the eligible basis of a new or existing building, do not include the cost of land. Also, you must reduce the basis by the amount of any federal grants received and by any basis allocable to units that are not low-income units and are above the average quality standard of the low-income units in the building.

Residential rental property may qualify for the credit even though part of the building in which the residential units are located is used for commercial purposes. To figure the eligible basis of such property, do not include the cost of the nonresidential rental property. You may generally include the basis of common areas or tenant facilities, such as swimming pools or parking areas.

D Limitations

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). In addition, S corporations may pass through 100% of the credit to their shareholders.

This credit cannot reduce the minimum franchise tax (corporations, limited partnerships, limited liability partnerships, LLCs and S corporations), the alternative minimum tax (corporations, individuals and fiduciaries), the built-in gains tax (S corporations) or the excess net passive income tax (S corporations). This credit cannot reduce regular tax below TMT. See Schedule P (100, 540, 540NR or 541) for more information.

If the available credit exceeds the current year tax liability, the unused credit may be carried over to succeeding years until exhausted. Use Part II to figure your carryover. Apply the carryover to the earliest taxable or income year(s) possible. In no event can this credit be carried back and applied against a prior year's tax.

Specific Line Instructions

Part I

Line 2 – The available credit for the year is the **lesser** of:

- The amount designated on form FTB 3521A; or
- The amount computed in Part III, line 20.

If form FTB 3521 is completed by a pass-through entity (S corporation, estate or trust, partnership or LLC taxed as a partnership), the entity must attach a separate schedule to the form that shows each shareholder's, beneficiary's, partner's or member's name, identification number, the amount of pass-through credit and the corresponding BIN.

Line 3 – If you received more than one pass-through credit from S corporations, estates or trusts, partnerships or LLCs taxed as partnerships, more than one allocated credit from affiliate corporations or a combination of pass-through and allocated credits, add them and enter the total on line 3. Attach a schedule showing the names and identification numbers of the entities from which the credit(s) were passed through or allocated to you.

Line 7 – If any part of the amount on line 4 is from a passive activity, you must complete form FTB 3801-CR, Passive Activity Credit Limitations, or form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, to determine your allowable credit. Complete form FTB 3801-CR or form FTB 3802 **before** completing the rest of this form.

Caution: You cannot claim the credit on any building for which there has been allowed any relief from the passive loss rules under Section 502 of the Tax Reform Act of 1986.

Line 11 – The amount of this credit you may claim on your tax return may be limited further. Refer to the credit instructions in your tax booklet for more information. These instructions also explain how to claim this credit on your tax return. You must use credit code number **172** to claim this credit. Also see General Information D, Limitations.

Part III

Use Part III only if the eligible basis decreased on a project or building.

Line 17 – Only the portion of the basis attributable to the low-income rental units in the building at the close of the year qualifies for the credit. This is the lesser of:

- The percentage of low-income units to all residential rental units (the "unit percentage"); or
- The percentage of floor space of the low-income units to the floor space of all residential rental units (the "floor space percentage").

Low-income units are units occupied by qualifying tenants, while residential rental units are all units, whether or not occupied.